



Industrial Decarbonisation Policy News – June 2022

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The CCC's progress report to Parliament 2022

29th June 2022

Last Wednesday the Climate Change Committee (CCC) published their annual progress report to parliament, laying out progress in reducing the UK's emissions and providing recommendations for Government. While the landmark 600-page report recognised that the UK Government has a solid Net Zero strategy in place, it highlighted significant policy gaps and was highly critical of the Government's progress on delivery, citing "*scant evidence of delivery against headline goals so far*". Of the UK's required emissions reduction to deliver the sixth Carbon Budget, the CCC stated that only 39% of emissions were covered by credible plans, 24% and 33% were associated with "*some*" and "*significant*" risks, respectively, and 5% of emissions are covered by either clearly inadequate plans or no plans at all.

The CCC called upon Government to develop and implement contingency plans to mitigate against delays and failures in policy delivery. In particular, they recommend that contingency plans focus on reducing consumer demand for high-carbon activities, such as carbon-intensive diets and airline travel. Crucially, they state the Government should not seek to compensate shortfalls with increased plans for engineered CO₂ removals, as the current government strategy is already highly reliant on such measures.

Regarding industrial decarbonisation, the CCC acknowledged the emergence of policy levers that will likely enable substantial emissions reductions in the sector, through capping emissions, upgrading operational efficiency and supporting innovation and deployment. However, the report also highlights a number of key policy gaps that risk delaying the development of options for industrial decarbonisation and under-delivery against the Government's ambition. As key overarching issue the report highlighted the lack of available data to track process, and therefore recommended that the Government "*invest in and initiate a reform of industrial decarbonisation data collection and reporting to enable effective monitoring and evaluation, and policy implementation*".

Policy gaps relevant to industrial decarbonisation include:

- A need for firmer policies on **resource efficiency**, clarity over how reform of existing policies will incentivise reduction in material and product use, and clarity over the Government's estimates of emissions reduction through energy efficiency.
- A lack of targeted support for **electrification**, which risks technology options and supply chains being underdeveloped, and misses the opportunity to increase energy security by reducing reliance on gas. Additionally, current focus is on hydrogen and CCS which brings value for clusters, but increased support for electrification could provide more suitable options for dispersed sites.
- There are delays emerging with delivering the Government's 2025 **CCS** ambition. The Industrial Carbon Capture Business Model has been delayed and the pipeline of projects suggests it could now be impossible to deliver by 2025. The CCC predict that CCS deployment is roughly one year behind ambition.
- There is insufficient data on expected **industrial hydrogen** projects to assess whether these are on track for ambition.
- Although the CCC welcomed progress on a credible, net zero-aligned **UK ETS** cap, they criticise the lack of clear strategy for incentivising decarbonisation among small emitters not covered by the UK ETS, and other policies including such as product standards and the hydrogen business model may preference facilities already within the UK ETS.

- For sites within the UK ETS that participate in the Climate Change Agreements scheme, there is a distortive incentive against electricity consumption. This is because efficiency targets under the scheme are set based on electricity consumption, so a shift to electrification results in missing targets, even if overall energy efficiency is improved.

The CCC's report provided a series of specific actions for Government for the manufacturing and construction sectors, which can be found in the accompanying [interactive table](#) of recommendations. The following were listed as priorities for the Government:

- *Remove legacy policy costs associated with historical deployment of less mature low-carbon electricity generation from electricity prices due to market distortion.*
- *Create a clear incentive for manufacturing facilities not covered under the UK ETS to switch to low-carbon energy sources by reforming the suite of energy and carbon policies.*
- *Consult on plans to implement, by 2030 or earlier, a carbon border adjustment mechanism and mandatory climate-minimum standards on imports of selected manufacturing products and energy.*
- *Publish government ambition for annual abatement from resource efficiency by year up to 2030 and clarify or set out the policies to deliver the ambition up to at least 2027.*
- *Consult on a funding mechanism to support the additional operational and capital costs of electrification in manufacturing. Support for electrification may be combined with reforms to electricity pricing. In combination these should incentivise early deployment of new electrification. The mechanism should aim to allow hydrogen and electrification to compete on a level playing field in the medium term.*
- *Review, invest in and initiate reform of industrial decarbonisation data collection and annual reporting to enable effective monitoring and evaluation, and policy implementation. This will require additional data collection and reporting to allow for effective tracking of energy efficiency, material efficiency, fuel switching, CCS, including progress developing these measures and more holistic measurement on a product or whole life cycle carbon basis. This reform should also be used as an opportunity to remove overlaps in reporting between existing schemes which place an unnecessary burden on industry.*

UK Government

PM hails Green Industrial Revolution 'sweeping across Africa'

Prime Minister's Office

23rd June 2022

Backed by UK investments and public-private partnerships, the government is hoping to help deliver a clean energy transition in Africa. These include £36m to help small island nations attain sustainable growth in their maritime economies, £162m in the African hydropower sector and £73m to help develop Uganda's national grid, with a particular focus on storage and transmission infrastructure. [More information here.](#)

More information [here](#).

The UK's energy priorities: enhancing energy security and pathways to decarbonisation

Department for Business, Energy and Industrial Strategy

23rd June 2022

BEIS Secretary of State Kwasi Kwarteng delivered a speech reiterating the goals of the UK energy security strategy. Of note, he said he will announce the results of Allocation Round 4, the UK's biggest renewable energy auction ever, and said that later this year the UK "will update planning policy and eliminate some of the bureaucracy, which can get offshore wind and solar projects off the ground." He also said that the government is seeking to make even greater progress with hydrogen and will launch a Hydrogen Business Model and Hydrogen Fund allocation round this summer with contracts awarded in 2023. Finally, he said that the government will enter negotiations with first CCUS-enabled projects to re-industrialise industrial heartlands and to protect and drive the competitiveness of British industry. More information [here](#).

More information [here](#).

Guidance on Industrial Energy Transformation Fund (IETF) Phase 2: Summer 2022

Department for Business, Energy and Industrial Strategy

16th June 2022

Phase 2 of the IETF provides grant funding for feasibility and engineering studies, and for the deployment of industrial energy efficiency and deep decarbonisation projects. Applications close 3pm Friday 9th September.

More information [here](#).

Joint statement following the visit of COP26 President Alok Sharma to South Africa

Cabinet Office

21st June 2022

COP26 President Alok Sharma and South African Cabinet Ministers released a joint statement following Mr Sharma's visit to Pretoria on 20-21st June, reflecting on the progress made since COP26 in advancing the Just Energy Transition Partnership (JETP) between the two countries. The statement underlined shared commitment to a just transition that protects affected workers and communities as a key priority of the partnership, and to supporting opportunities for innovation and quality jobs including in the green hydrogen sector. The statement also provided an update on the finalisation of the Hydrogen Economy Roadmap and the Renewable Energy Masterplan.

More information [here](#).

UK launches trade deal negotiations with Gulf nations

Department for International Trade

21st June 2022

Trade Secretary Anne-Marie Trevelyan launched free trade negotiations between the UK and the Gulf Cooperation Council, made up of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE. The landmark would cover £33.1 billion of trade aimed at renewable energy sector, as well as manufacturing and food and drink.

More information [here](#).

UK Infrastructure Bank publish their first strategic plan, outlining plans to invest £22bn to “tackle climate change and regional inequalities”

UK Infrastructure Bank

23rd June 2022

The Bank has £22bn of financing capacity to deploy: £8bn in debt and equity, £10bn in guarantees and £4bn for Local Authority lending. Partnering with the private sector and local government, it aims to fully commit its £22bn balance sheet over the next five to eight years. The Bank pledges to finance the scale-up of existing green infrastructure and accelerate the deployment of new technologies such as carbon capture, utilisation and storage and green hydrogen.

More information [here](#).

Bids invited in UK's first ever carbon storage licensing round

North Sea Transition Authority

14th June 2022

The NSTA has launched the UK's first-ever carbon storage licensing round with 13 areas of potential available. The new carbon storage areas, alongside the six licences which have been issued previously, could have the ability to make a significant contribution towards the aim of storing 20-30 million tonnes of carbon dioxide by 2030. The areas being offered for licensing are off the coast of Aberdeen, Teesside, Liverpool and Lincolnshire in the Southern North Sea, Central North Sea, Northern North Sea, and East Irish Sea and are made up of a mixture of saline aquifers and depleted oil and gas field storage opportunities.

More information [here](#).

New tool to maximise oil and gas infrastructure repurposing

North Sea Transition Authority

21st June 2022

A new screening tool developed by the North Sea Transition Authority (NSTA) will help to maximise the repurposing of oil and gas infrastructure for energy transition projects. The process aims to add structure and consistency to the assessment of North Sea repurposing potential, helping industry capitalise on opportunities, with the potential of generating substantial savings across carbon capture, utilisation and storage and hydrogen schemes which would otherwise require new equipment.

More information [here](#).

Regulatory Horizons Council publishes new report on unlocking UK innovation

Department for Business, Energy and Industrial Strategy

15th June 2022

The report sets out how the gap can be closed between existing principles for innovation-friendly regulation, and how they are applied in practice. The Council outlines 6 key focal points for supporting innovation with regulatory frameworks and highlights that a collaborative effort from government, regulators and innovators is the best way to foster an environment that supports and promotes innovation.

More information [here](#).

UK Parliament

Westminster Hall debate: Future hydrogen economy

14th June 2022

Jacob Young MP (Conservative, Redcar) secured a debate on hydrogen economy in the Westminster Hall, particularly highlighting the importance of hydrogen in three areas: decarbonisation of heating systems, decarbonisation of transport and decarbonisation of industry. He called on the UK Government to nurture “innovative and pioneering partnerships with the industry” to harness the potential of hydrogen. Highlighting production and storage solutions developed by Centrica, SSE and BP, Mr Young urged the UK Government to prioritise regulatory aspects of industrial decarbonisation going forward.

Minister for Energy, Green Growth and Climate Change Greg Hands reiterated the government's commitment to 10GW hydrogen production by 2030. He said that the forthcoming Energy Security Bill will further support this target, helping to drive investment by facilitating the delivery of the hydrogen business model. Mr Hands recognised that hydrogen will play crucial role in industrial decarbonisation and said that this is why the UK Government is following the cluster approach, ensuring that hard-to-decarbonise sectors are close to the clusters. Finally, Minister Hands announced that the Net Zero Hydrogen Fund will be coming this summer and will be run on annual allocation rounds. In July, the government will announce the blue hydrogen projects which will drive forward CCUS cluster sequencing process.

More information [here](#).

Inquiry on UK energy supply and investment

Economic Affairs (Lords) Committee

14th June 2022

In this session the witnesses from HM Treasury discussed the UK energy supply and investment, focusing on the investment gap, energy supply security, oil and gas exploration, and energy efficiency.

Full transcript available [here](#).

Scotland

Hydrogen Innovation Scheme launched

Scottish Government

27th June 2022

New £10 million Hydrogen Innovation Scheme has been launched to drive innovation within the hydrogen sector and accelerate its production and storage in Scotland over the next four years. It aims to unlock additional private investment in the technology and enable new companies to enter the sector. The scheme is part of the Scottish Government's commitment to invest £100 million in hydrogen over the course of this parliament and it is also part of a wider £180 million package of investment in emerging energy technologies.

The first round of funding will target:

- Projects that support the low-cost, efficient, and sustainable production of renewable hydrogen.
- Projects that support efficient hydrogen storage and distribution, both within Scotland and for export.
- Projects that support the efficient integration of hydrogen into the energy system.

More information [here](#).

Ronan O'Hara appointed as new Chief Executive of Crown Estate Scotland

Crown Estate Scotland

16th June 2022

Following the retirement of current Chief Executive Simon Hodge in August, Ronan O'Hara will take over as Crown Estate Scotland's new Chief Executive in September. He is currently Head of Asset Management at the University of Cambridge and was previously Strategic Advisor and Head of the Energy Management Unit at Northern Ireland's Strategic Investment Board.

More information [here](#).

Financing net zero and just transition

Scottish Government

3rd June 2022

Following the publication of last week's Resource Spending Review, Scotland's Net Zero Secretary Michael Matheson has pledged to maximise the use of public funding to accelerate the delivery of plans to tackle climate change. In addition to restoring the nature, the Scottish Government has committed to increasing its efforts to leverage private sector investment in the just transition to net zero, to make better use of limited public funds. Key commitments also include £4 million of resource spending alongside £150 million capital and financial investment for the North-East and Moray Just Transition Fund.

More information [here](#).

Scottish Greenhouse Gas Statistics 2020

Scottish Government

7th June 2022

The Scottish Government has published statistics for 2020 with measures of emissions or removals of greenhouse gases in Scotland. Source emissions were 40 million tonnes of carbon dioxide equivalent in 2020. This indicates a fall of 51 percent between 1990 and 2020 and a fall of 12 percent between 2019 and 2020.

More information [here](#).

Scot2Ger: Development of a Green Hydrogen Supply Chain from Scotland to Germany

20th June 2022

A study into Scottish hydrogen production and export potential led by a team of Scottish and German companies, and funded by Scottish enterprise agencies and Wood PLC, has concluded that Scotland is "perfectly placed to become an exporter of green hydrogen to a ready-made market in Germany". The study highlighted faster than anticipated growth in hydrogen demand, linked to movement away from fossil fuel imports, that aligns with Scotland's ambitions to scale up production. Liquid hydrogen or ammonia were found to be the preferred vectors, with Aberdeen, Cromarty, Forth and Clyde identified as potential early export locations, exporting to Wilhelmshaven, Lower Saxony and Rotterdam.

More information [here](#).

Wales

Japanese Wind Power Association visits North Wales

Welsh Government

17th June 2022

A delegation of representatives from the association visited the area this week to see some of low-carbon energy developments under way in the region. Commenting on the occasion, Minister for Economy Vaughan Gething said that Wales is hoping to share its technological learning with Japan, giving the opportunity to further strengthen that relationship and learn from each other in the field of low-carbon energy generation.

More information [here](#).

Investment in major new industrial scheme in Ebbw Vale announced

Welsh Government

30th June 2022

The government is investing £8.5 million in building significant new industrial space in Blaenau Gwent aimed at attracting leading businesses to the area, Economy Minister Vaughan Gething has announced. A 50,000 sq ft industrial unit will be built at Rhyd y Blew, in Ebbw Vale, in the Tech Valleys area. The modern building will form the first phase of a wider site masterplan, and help satisfy huge demand for such industrial space in the south east Wales area.

More information [here](#).

Energy Use in Wales: second edition 2020

Welsh Government

30th June 2022

The newly published report shows how energy was used in Wales across 2020 and how it has changed over time, with data presented by end use, sector, fuel type and geographic area. The greatest reduction in energy use was in the Swansea Bay City Region due to changes in industrial energy consumption. Overall energy usage across industry has seen a 26% decrease between 2005 and 2019. The South Wales Industrial Cluster features as a case study of industrial decarbonisation and hydrogen schemes across the UK.

More information [here](#).

Hydrogen Strategy Debate

15th June 2022

Rhun ap Iorwerth (Plaid Cymru, Ynys Môn) led a debate on Welsh hydrogen strategy, during which he urged the Welsh Government to develop a clear strategy and well-targeted investment plan in order to maximise the opportunities that the hydrogen sector represents for the economy, for jobs, for communities, and the environment. He said that it will not be possible to fully decarbonise the UK's economy without a major role for hydrogen. He highlighted existing capabilities and hydrogen research and development projects in Wales and said that this could enable Wales to help lead the way in the development of a hydrogen economy as part of a wider UK green industrial revolution.

Minister for Climate Change Julie James recognised that, while hydrogen is still a developing technology, it will have a strong role in Wales' future power, transport and industrial sectors. She said that Wales is well positioned to develop and capture the rapidly emerging opportunities offered by hydrogen and harnessing this opportunity will be crucial for hard-to-decarbonise sectors of the economy. She added that Wales should move to the exclusive use of green hydrogen as soon as possible and said that capture and storage technologies will need to be further developed.

Full transcript available [here](#).

Calls for evidence and consultations

- Department for Business, Energy & Industrial Strategy: Floating Offshore Wind Manufacturing Investment Scheme: request for information – closes at 11:45pm on 15 July 2022. [Link](#) to consultation.
